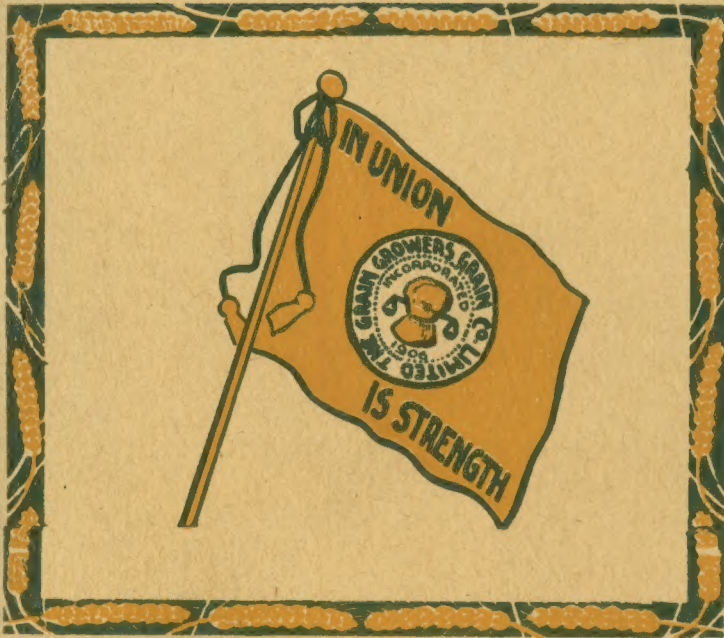


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J. R. MURRAY



ANNUAL REPORT

1916

THE GRAIN GROWERS' GRAIN CO. LIMITED
WINNIPEG MANITOBA



The Grain Growers' Grain
Company Limited
Winnipeg

Annual Report

For the Twelve Months
ending the Thirty-first of
August, Nineteen
Sixteen

G.G.G.

Shareholders should keep intact the Annual Reports
They will thus have a continuous record
of the Company's history

Comparative Statement

Opened Business		Sept. 1, '06	June 30, '07	June 30, '08	June 30, '09	June 30, '10	June 30, '11
Shares Allotted	1,000	1,853	2,932	7,558	14,131	24,602	
Capital Subscribed	\$25,000	\$46,325	\$73,300	\$188,950	\$353,275	\$615,050	
Capital Paid-up	\$ 5,000	\$11,795	\$20,385	\$120,708	\$292,957	\$492,062	
Grain Receipts (Bus.)		2,340,000	4,990,541	7,643,146	16,332,645	18,845,305	
Profits		\$790	\$30,190	\$52,902	\$95,663	\$69,575.46	

		June 30, '12	*Aug 31, '13	Aug 31, '14	Aug 31, '15	Aug 31, '16
Shares Allotted		27,321	32,500	42,477	47,976	57,605
Capital Subscribed		\$683,000	\$909,950	\$1,061,925	\$1,199,400	\$1,440,160
Capital Paid-up		\$586,472	\$645,361.80	\$771,409.35	\$867,422	\$1,073,179.95
Grain Receipts (Bus.)		27,775,000	29,975,000	29,920,225	18,821,402	48,375,420
Profits		\$121,614	\$164,332.57	\$151,080.92	\$226,963.08	\$572,804.33

TOTAL FARMERS' GRAIN HANDLED SINCE SEPT. 1, 1906 - - - 205,018,324 BUSHELS

*14 months in this year.

BOARD OF DIRECTORS



1—F. M. Gates
4—Wm. Moffat
7—R. McKenzie

2—John Kennedy
5—T. A. Crerar
8—John Morrison

3—J. W. Wood
6—J. F. Reid
9—F. J. Collyer

The Grain Growers' Grain Co. Ltd.

HEAD OFFICE
WINNIPEG, MANITOBA

BRANCH OFFICES AT
CALGARY, ALTA.; REGINA, SASK.; AND
FT. WILLIAM, ONT.

CAPITAL AUTHORIZED	..\$2,000,000.00
CAPITAL SUBSCRIBED	\$1,440,160.00
CAPITAL PAID UP, AUG. 31, 1916....	\$1,073,179.95
RESERVE FUND, AUG. 31, 1916. . . .	\$ 600,000.00

Board of Directors

1916 - 1917

T. A. CRERAR.....	WINNIPEG, MAN.
JOHN KENNEDY.....	WINNIPEG, MAN.
R. McKENZIE.....	WINNIPEG, MAN.
WM. MOFFAT.	SOURIS, MAN.
F. M. GATES.....	FILLMORE, SASK.
JOHN MORRISON.....	YELLOW GRASS, SASK.
F. J. COLLYER.	WELWYN, SASK.
JOHN F. REID	ORCADIA, SASK.
J. W. WOOD	WAINWRIGHT, ALTA.

To our Shareholders

November 30, 1916

Gentlemen:—

We take pleasure in presenting to you the Tenth Annual Report of the business of the Company for the year ending August 31, 1916. In it you will find the President's address, the financial statement, the Auditor's report, the comments of the Shareholders' Auditor upon the same, report on the proposal to amalgamate with the Alberta Farmers' Co-operative Elevator Company and a digest of the brief presented to the Dominion Customs Department. We would ask you to read it carefully. The success of the Company depends upon the intelligent interest of its Shareholders.

We suggest that you preserve the Annual Reports of the Company. As years pass you will in this way have a continuous record of its progress.

Yours truly,

Board of Directors,
The Grain Growers' Grain
Co. Ltd.



Tenth Annual Report

President Crerar's Address

Following is the Report presented to those in attendance at the Annual Meeting of Shareholders of The Grain Growers' Grain Company Limited, held in the Company's new warehouse on Market Street, Winnipeg on November 29 and 30, and December 1, 1916, by the President, T. A. Crerar:

I am glad to welcome again the shareholders to an Annual Meeting at this time when the Company has just completed ten years of its operations.

From almost every point of view the year closed has been the most satisfactory the Company has experienced. The volume of business passed through the office has been the largest in the Company's history.

In reviewing the business I intend to deal with the different departments, particularly those that have more recently been opened, and to give the shareholders as briefly as possible the story of the Company's work for the past year, its present position, some of the things it has accomplished and some of our hopes for the future.

The most important matter to come before you on this occasion is the proposed amalgamation of The Grain Growers' Grain Company with the Alberta Farmers' Co-operative Elevator Company, referred to in the notice calling the Annual Meeting. This matter will be dealt with in a separate report, and the amendments which the Directors recommend should be secured to our Charter in order to give effect to the consummation of this proposal will be placed before you at the same time.

Manitoba Country Elevators

From an operating point of view the year just closed has been the most satisfactory we have experienced since we have operated these elevators. The volume of grain handled through them, owing to the exceptional crop of a year ago, was more than double the volume handled through them in the previous year, the figures being for 1915-16, 14,737,687 bushels, as against 6,540,923 bushels for the year 1914-15.

While the increase in the amount handled has been about 125 per cent., the total expense of operating has increased about 75 per cent. In the operation of this system, as has been pointed out in previous Annual Reports, there are certain fixed charges which have to be met. A large amount of grain has to be handled to meet these fixed costs before any profit can be earned. It is therefore quite obvious that the successful result of the year's operations depends to a great degree on the volume of business handled, and this affords an excellent reason why every shareholder in the Company at any point where it has an elevator should give it his patronage and support. The total expenses in this department, including fixed charges, are \$437,695.29 against \$284,897.25 for the year previous. The total revenue from all sources for the year just closed was \$597,303.23 against \$292,288.20 for the previous year. A moment's comparison of these figures makes clear the result, which is a profit of \$161,607.94 for the year we are considering, against a profit of \$7,390.95 for last year. This profit, it must be borne in mind, is due mainly to the large volume of business handled. This profit more than recoups us for the heavy loss that we had on these elevators in the first year of their operation. For the present year, while we have the elevators on a better basis of rental than previously, I think it extremely doubtful that they will prove profitable.

As our shareholders are aware, the terms upon which we have leased these elevators from the Govern-

ment in the past have been based upon 6 per cent. of the capital outlay of the Province, this latter amounting to slightly over \$1,160,000. During the year closed we secured, with the consent of the Government, a detailed valuation by a firm of competent appraisers. The value as shown by this appraisal was very greatly below the value placed on the elevators in the books of the Province. With this information we were able to make a somewhat better arrangement in the leasing of the elevators in the present year, and your Directors hope that the Company may soon be able to make some permanent arrangement with the Manitoba Government, concerning these elevators. The present method of leasing from year to year is unsatisfactory. We understand that the Government also purpose having the elevators valued in order to satisfy itself as to what they are worth, and when this is done we are hopeful that the matter of our relationship to them can be definitely settled.

The Company now owns 14 elevators of its own in the Province of Manitoba. During the year elevators have been purchased or built at six points.

Grain Growers' B.C. Agency

You need scarcely be reminded that The Grain Growers' B.C. Agency is a subsidiary concern, controlled, in fact now owned entirely by The Grain Growers' Grain Company. The late manager of this Agency, who had a partial interest in it, desired to withdraw it, and under our arrangements with him at the time the business was purchased, we were obliged to buy out his interest in it.

For the year ending 31st May, when the books were closed off, a considerable loss had resulted from the operation of the business. We also had a careful re-valuation made of all the assets of the Agency, with the result that your Directors thought it advisable to make a liberal provision against it, and the sum of \$36,000 was appropriated for this purpose. From

our experience with this B.C. Agency up to the end of the year closed, the purchase of it three years ago was an unfortunate one. In connection with this, however, it should be borne in mind that no place in Canada has suffered the business depression that the Pacific Coast has passed through in the years 1914 and 1915 and for a good part of 1916. During the last six months there has been a noticeable improvement in business generally at the Coast, and our business, I am glad to say, has improved with it, with the result that the last five months of its operation have been profitable. If this continues, and the appearances at present indicate that it will, this Agency, which has been unprofitable up to the present time, should give us a return in the year we are entering upon.

Terminal Elevator and Elevator "H"

The Terminal Elevator leased by the Company from the Canadian Pacific Railway has been operated very successfully during the past year. Here also the volume of grain handled is the essential thing to successful operation. For the year just closed we handled through this elevator 28,463,438 bushels as against 11,152,835 bushels for the year previous. This, of course, has resulted in a largely increased profit. It will be of interest to you to know that our present lease on this elevator, which expires October 1st next, has been renewed for five years, upon the same terms as before.

In respect to the Company's other elevator at Fort William, known as Elevator "H," the Directors have to report that this elevator was destroyed by fire early in March of the present year. Its operation for the period running from September 1st until the time it was destroyed was profitable, and had it not been destroyed still better results would have been shown before the end of the year. Your Directors, believing that the Company should have an elevator of this character, decided to rebuild. It was thought

desirable, however, to secure a site with water frontage, and after considerable investigation a site was purchased adjoining the site of the Saskatchewan Co-operative Elevator Company in Port Arthur. This site gives the Company 600 feet of water frontage with a depth of 1200 feet, and access from the Canadian Pacific and Canadian Northern Railways. Upon this site we immediately proceeded to construct a modern elevator of 300,000 bushels capacity, at a cost of about \$290,000, including the site. This elevator has a work house containing a number of small bins and in addition concrete tanks for storage purposes, and is equipped with the most modern cleaning and drying machinery.

The site provides additional room for expansion in the future, and if found necessary later a large terminal elevator and also a warehouse can be built. Your Directors thought it wise for the comparatively small amount of capital outlay required to secure this additional accommodation and thus provide for future requirements when they arise.

In the discussion of the Company's business at the Annual Meeting a year ago, mention was made of the fact that too large a price had been paid for this elevator, the cost of which was \$130,000. This had been depreciated at 31st August, 1915, to \$126,498.50. As a result of the fire, a considerable capital loss accrued beyond the insurance recovered. Owing to the uncertainty of real estate values in Fort William it was thought advisable also by your Board to further depreciate the value of the site on which the elevator stood. The total depreciation thus provided was \$63,794, leaving an asset value in the site of \$25,000, or \$250 per foot. While this valuation for the site is low in comparison to what it was a few years ago, it probably represents about its actual value at the present time. As the Company has no further use for this site now, it is the intention of your Directors to dispose of it as soon as a favorable opportunity presents itself to do so.

The manner in which the amount written off the capital value of this property has been handled will be dealt with presently, when we come to an analysis of the Profit and Loss Statement and Balance Sheet.

There has at times been some criticism directed against the operation of these small elevators at Fort William. In reality they are cleaning and mixing elevators, although the one we are at present erecting, and which we hope to have completed early in December, will partake of the character of a hospital elevator in that it will have drying facilities. In the view of your Directors these small elevators are a necessary factor in the business of handling grain. The argument is advanced against them that in mixing grain they will endeavor to operate as profitably as possible, by putting out the minimum quality of any grade they may be handling, and that this will result in a lowering of the average quality of the particular grade in question reaching our markets in Eastern Canada or abroad, with the result that the Eastern Canadian or European buyer will as a consequence offer a reduced price because of this lower quality. Against this it must be borne in mind that the Inspection Department insists, and by regulation are obliged to see, that the grain inspected out of these smaller mixing elevators must be in quality up to the average of the same grade inspected out of the large terminals. There is, of course, no difficulty in securing samples showing the average quality of the grade inspected out of the large public terminals, and it seems reasonable that if the principles underlying our method of inspecting grain are sound the Inspection Officials should be able to keep the quality of the grades coming out of the small elevators referred to up to the average of that coming out of the large houses. These small elevators possess an additional advantage to the producer of grain in this, that during the past season we at all times paid half a cent a bushel premium on all the grain going into our Elevator "H" over the price that the same grade would have commanded had it been unloaded and sold in the public terminals. In addition, these

small elevators, our own included, are in the market for the lower grades and rejected grades of wheat, thereby making a market for this class of grain and assuring competition in that market for it. A study of the situation running over several years indicates that the spread in value between the high and low grades and rejected grades, prior to the advent of these small elevators at the Lake Front, was considerably wider than it has been since they commenced to operate. Their operation is particularly necessary in a year like the present. Had there not been a number of these small mixing elevators operating at Fort William during the present season, there would have been large quantities of wheat damaged from rust or otherwise that would have been for weeks at a time practically unsaleable. Your Directors, therefore, believing that it is advisable for the Company to continue in this business, have gone ahead with the building of this new elevator, which will be completed some time in December. Should future regulations at any time prevent the operation of these small elevators, we will be in a position to turn ours into a public terminal and operate it as such in conjunction with our larger terminal.

Co-operative Supplies and Machinery

The results in the operation of the Co-operative Supply and Machinery Department have been grouped under two heads—that relating to general supplies of all kinds excepting machinery, and machinery.

Dealing particularly with the work of the department, we have to report that the total combined sales of machinery and other goods have shown an increase from \$1,148,128 a year ago to \$1,353,494.73 for the year just closed, or an increase of about 19 per cent. The big item of increase was in machinery, the total amount sold, exclusive of Calgary, being \$278,205.78 against about \$80,000 for the previous year.

The combined sales at Winnipeg and Regina for the various classes of machinery were as follows:—

Tillage Tools	\$102,044.13
Misc. Machinery and Supplies	83,664.67
Gas Engines	13,889.80
Tractors	36,191.39
Vehicles	42,415.79
	\$278,205.78

In the other section of this department the total sales have been \$1,075,288.95, made up as follows:—

Lumber	\$ 180,410.72
Millwork	23,729.56
Metal Goods	10,756.69
Builders' Supplies	46,120.43
Twine	520,373.46
Barb Wire	70,136.38
Woven Wire	53,336.61
Posts	46,419.44
Coal	53,249.44
Misc. Co-operative Supplies	1,321.54
Flour	8,488.35
Apples	60,946.33
Total	\$1,075,288.95

Considerable difficulty has been experienced in operating this department in the past year. As you know, the intention of the Company, when entering into the handling of machinery particularly, was to act as a medium between manufacturer and consumer without carrying stocks of goods. In practice this was found impossible, and your Directors were compelled, if they desired the Company to remain in the business of handling implements, to accumulate stocks of these at points, such as Winnipeg, Regina and Calgary, where they could be quickly and easily distributed to purchasers. The same is true of a considerable portion of the other goods handled. Since the outbreak of war in Europe practically every class

of commodity, particularly in manufactured goods, has been in great demand, and the result of this has been a steadily increasing advance in the cost of raw material. It was thus necessary for us, if we were to ensure having a supply of goods, to make contracts ahead for specified quantities in order that the manufacturers from whom we were buying could protect themselves by securing the raw material that went into the manufacture of the goods, and also that we might as far as possible ensure stability in the price quoted to our shareholders and others. While the Company put out a catalog early in the year, it was found necessary about midsummer to send out a supplementary one changing the prices on practically all of the goods. Again, also owing to our inexperience, the catalog put out was very imperfect and led to a great deal of trouble, which of course all means expense to clear up.

Speaking more particularly of the machinery end, we had throughout the year serious difficulty with the Customs Department at Ottawa, which was not finally adjusted until about the first of September. Under the Customs Act we are supposed to pay duty on implements brought into Canada at the rate specified by the Act on the particular goods we are importing. While the general impression is that the ad valorem duty is always paid on the invoice cost of the goods from the foreign manufacturer, this is not the case. We found, in our experience, that the Customs Department, as is their practice, sent special agents, who investigated the cost of the manufacture of the goods we were importing, with the result that the values upon which duty was assessed were raised very considerably above the actual cost we were paying. In several cases the principle of the "dumping clause" was applied, which raised the duty we were asked to pay to a point that would have prevented the importation of the goods in question. This was made to work out so that on one implement we were actually assessed 78 per cent. duty; and on practically all the lines of tillage tools the rates we were paying

under the regulations imposed by the Customs Department were from 45 per cent. to 50 per cent. This gave us a great deal of annoyance and expense, and for a time it looked as if we might have to abandon importing these goods. It was necessary to make several trips to Ottawa to take the matter up with the Customs officials in order to get it adjusted. Early in September a memorandum was submitted to the Board of Customs, setting forth our complaint, and after this Board had taken the matter into consideration it was adjusted to a proper basis, which enables us to continue bringing these implements into Canada and distributing them to our shareholders and others who want to buy them. The result, however, of all these difficulties was that our Implement Department was operated at a considerable loss. Your Directors still have faith, however, that it can be made to pay, and as far as they can see now the difficulties above referred to in connection with the operation of it have been largely settled. In order that the shareholders may understand just the difficulty we had in connection with this Customs matter, we are printing as an appendix to this report a full summary of the memorandum submitted to the Customs Department at Ottawa in connection therewith (see pages 64 to 68).

The results in the Co-operative Department as a whole show a slight profit for the year, after making careful valuations of all the stocks of goods the Department has on hand.

When we come to an examination of the Balance Sheet you will learn that we are carrying considerable stocks of machinery and other merchandise, and as already pointed out, your Directors have found it necessary to do this, if the business is to be conducted with any satisfaction either to ourselves or to customers.

During the year, in order that we might have proper warehouse facilities for handling this department, a site was purchased and the building in which this meeting is now being held erected upon it, and the

shareholders present will have an opportunity for themselves of learning at first hand some idea of the point to which this department of the business has grown in the few years we have been operating it.

Reference was made in our report a year ago to the agreement with the Saskatchewan Grain Growers' Association. The intention under this agreement was to have all business as far as possible come through the Association, which was to be allowed a fixed percentage of the gross profit on all sales whether made through its central office or not. In return the Association was to allow the Company the same percentage upon any goods it sold outside of the Company. It was understood, however, that it would with few exceptions buy its requirements through or with the Company, and it was thought that in this way the quantity of goods handled could be largely increased. We find that under that agreement the total commissions allowed the Saskatchewan Grain Growers' Association on the total sales made in the Province of Saskatchewan were \$29,489.16, while the commissions allowed by them to us on the sales they made independent of the Company were \$8,390.15. We had also the expense of preparing all the advertising matter of all kinds, which in itself amounted to a very considerable item. In actual working out we sold more goods direct to the Province of Saskatchewan than was sold through the Association. While the Directors of the Company desire that the relations between the Saskatchewan Grain Growers' Association and The Grain Growers' Grain Company should be of the most friendly character, they cannot see their way clear to continue the arrangement which expires with the end of the present year. It is only fair to state that the officers of the Saskatchewan Grain Growers' Association have expressed the opinion that the arrangement imposes a burden upon them, and I have no doubt whatever that the two organizations can continue doing business in Saskatchewan without in any way reflecting upon each other.

Livestock Department

It was stated to the shareholders at the last annual meeting that the Directors had under contemplation the opening up of a Livestock Commission Department, to provide similar facilities for marketing livestock that were provided in the handling of grain. This department was opened on March 1st last and an office secured at the Union Stockyards in St. Boniface. As was expected, it has been operated to the end of August at a loss for the six months of \$4,317. During the six months 196 cars of livestock were handled.

The business handled since September 1st, which of course does not enter into the accounts we are considering, has shown a substantial increase. One hundred cars were handled in September and 202 in October.

This department is doing considerable educational work in the way of showing farmers how to form Livestock Shipping Associations and ship their stock so that they can get the most out of it. There is no doubt that in the past many farmers selling stock in the country have not received the full value of their stuff for the reason that they were out of touch with the markets and had to accept the prices that were offered by the cattle buyers or drovers.

Undoubtedly this department can serve a good purpose, and we have already had evidence that its value is being recognized by a considerable number of our farmers. When we come to our next annual meeting, after having a year and a half's operation of it, we will be in a better position to judge its value.

Grain Growers' Export Co.

The Grain Growers' Export Co., which is another subsidiary company of The Grain Growers' Grain Company, has, considering everything, had another successful year. The difficulties of carrying on the

export business under the war conditions prevailing have been numerous, and in the face of these your directors consider satisfactory results have been obtained. You will recall that the profits at the end of the year's business a year ago were about \$530,000. Subsequent to this the Dominion Government imposed a Business Profits War Tax on the profits of all companies with a capitalization of \$50,000 and over. Under this tax a deduction from the net profits of any company equal to 7 per cent. on the paid up capital, reserve and surplus funds is allowed, and the profit remaining after this deduction is made is subjected to a tax of 25 per cent. This tax was made retroactive to January 1st, 1915, or from the accounting period within the six months prior to that. The amount of tax that we were assessed on the profits of the Export Company of last year, after making the deductions referred to, is approximately \$130,000. It was reported to you a year ago that out of the profits the Export Company had then earned a stock dividend was paid, bringing the paid up capital to \$250,000, leaving a considerable surplus still undistributed. It was thought advisable by the Directors and management of the Export Company to get authority to increase the capitalization and this was done. When this additional power was secured the Company received a further stock dividend out of the profits remaining of \$175,000. This amount, standing then as undivided profits in the Export Company, was not taken into account in the Balance Sheet of The Grain Growers' Grain Company a year ago.

While the volume of business handled by the Export Company during the past year, ending on August 10th, exceeded the volume handled in the first year of the reorganized operation, the profits were considerably less. After providing \$130,000 for Government War Tax for last year and \$30,000 tax for the current year in the Export Company, the profits remaining amounted to slightly over \$166,000, which has been retained in the business, no dividend being paid for the present year.

The changes made a few weeks ago by the British Government, whereby they placed a Commission in control of the importation of grain into the United Kingdom, has of course created a new condition entirely. This Commission have appointed their own representatives on this side, both in New York and in Winnipeg, to do their buying, with the result that firms like ourselves are pretty effectively shut out of doing business. While we are still doing some business, the effect of this change of handling cannot be estimated yet, and to what extent it has affected the profit earning power of the Company remains to be seen. The Directors want to make it clear, however, that we should have no complaint whatever in respect to any steps the British Government take to insure Great Britain and her Allies getting the necessary foodstuffs they require as cheaply as possible.

It was with great regret that the Directors learned of the accidental death of the late Mr. Stemper, Managing Director of the Export Company, in June last in New York. Mr. Stemper was recognized as one of the biggest men in the grain export trade in America, and his loss came as a great shock, not only because of the loss in a business sense, but in a personal sense as well. Mr. O'Donohoe, who had been the Assistant Manager under Mr. Stemper, is now the Manager, and since he has taken charge has handled the business in a quite satisfactory manner. We have an added pleasure in this from the fact that all his training in the grain handling business has been secured from his connection with the Company, to which he came as a young clerk six years ago.

Grain Growers' Guide and Public Press

Among the assets of the Company one of the most important, not alone from the amount of money invested, but from the influence it exerts, is the Public Press Limited and also The Grain Growers' Guide, and therefore the progress its business is making is of

close interest to our shareholders. As indicated in our report a year ago, the business of this institution is conducted under the two departments of the Job Printing establishment and the publication side covered by The Grain Growers' Guide.

The year of this Company closes on May 31st, and the result of the joint operations of the two departments for the year was a profit of \$9,917.64. As you are aware, the publication of The Guide has been the unprofitable part of this business from the first, and it is gratifying to be able to state that it is steadily improving its position each year. From present indications of the monthly progress of the business, we are hopeful that this part of the business will show a profit when we close the next year of the Public Press Limited on May 31st, despite the fact that the paper upon which The Guide is printed has advanced in cost over 100 per cent. This has enormously, as you can see, increased the cost of putting out the paper, while the subscription rates and the advertising rates have remained practically at the same point.

The Job end of the business is also steadily growing and indications are that its profits for the present year will also be satisfactory.

During the year your Directors have increased the capital stock holding of The Grain Growers' Grain Company in the Public Press by \$50,000, so that our investment stands there now at \$75,000. We are fully confident that in a few years time this investment will be giving a fair return, although, as will be noted later, nothing has been drawn from it up to the present time.

The directors have also found it necessary to take steps to provide a new building for The Guide and Public Press Limited, as both branches of the Company have entirely outgrown the present quarters in which they are accommodated. This new site, 100 feet in frontage by 120 feet deep, has been purchased on Vaughan Street, opposite the present

Y.M.C.A., much nearer the centre of the city and close to Portage Avenue, at a cost of \$30,000. Steps are being taken to get the building started early in the spring of next year in the expectation that it will be completed in the fall. This building will be of fire proof construction throughout, and while it is only intended to put up two stories at the present time, foundations will be put in to run up to seven or eight stories to provide for future requirements.

We would like to take this opportunity to remind our shareholders that they can render a very real service to The Guide by helping as far as possible to get subscriptions to it. Its revenue depends upon subscriptions and advertising entirely. As the number of subscribers increases it becomes more attractive as an advertising medium, and if our shareholders throughout the country would go to a little trouble and each get one additional subscriber, it would put The Guide in a sound position beyond any question of doubt. As has been publicly announced, the Company has given \$500 in cash prizes for best grain produced from pure seed grain supplied by The Guide. The question of good seed is of great importance and we are glad to assist in it in any way we can.

Finances

During the year now under review the Company has had no difficulty in arranging the necessary finances to handle its grain. The fact that we were also financing the Alberta Farmers' Co-operative Elevator Company made our requirements very considerably larger, and perhaps the best evidence of the growth of the Company's business lies in the fact that just prior to the opening of navigation last spring, when our money requirements were at their highest, we had borrowed almost five million dollars, which affords a fair indication of the standing and position of the Company in the business life of the community. It is worth while to note in this connection that the Com-

pany has never received any outside assistance in financing its business. It has had to build it up, particularly in the early years, in the face of very strong opposition and difficulty, and it should be a matter of satisfaction to the shareholders to know that it is well regarded in the sources from which money has to be borrowed.

Alberta Farmers' Co-operative Elevator Co. Ltd.

Our relationship with the Alberta Farmers' Co-operative Elevator Company has continued very satisfactorily during the present year. That Company had to surmount considerable difficulties as a result of the first two years of its operation, and we are very glad to be able to say that it has done so very successfully.

You will be glad to know that they handled last year over nineteen million bushels of grain through their elevators, or an average of more than 200,000 bushels per elevator, and that their profits for the year were around \$282,000.

Amendments to Charter

Resolutions ratifying the application for certain amendments to the charter of the Company will be placed before you for your consideration. As this has to do largely with the question of amalgamation with the Alberta Farmers' Co-operative Elevator Company it will be placed before you after the report on this question has been submitted to you. (See pages 34 to 48).

Bonus System

During the year the Directors decided that the employees of the Company should receive some recogni-

tion for their services to it, in addition to the salaries they are drawing, and a system of bonus was worked out whereby over \$21,000 of the present year's profits will be distributed among over 200 employees.

It is not necessary to deal with the details of this further than to state that the Directors believe that the best interests of the Company will be served by attaching to it as permanent employees those who have given satisfactory service to it. They think the bonus system is in every way admirable. It might be pointed out to the shareholders that one of the chief difficulties in a Company such as ours is to retain the employees on whose abilities the success of the business largely depends. We refer particularly to the heads of departments and the more highly salaried men. A method that is becoming common in ordinary commercial companies of today, and this applies particularly to those engaged in the grain business, is to give their higher salaried employees a direct interest in the business, so that while the employee is working for his salary he is also working for a return from the interest he holds. This, as stated, is particularly true of the grain business. From the character of this Company it is impossible, of course, for the employee to secure an interest in the business, consequently his compensation for his work depends entirely on the remuneration he draws by way of salary. Your Directors felt that giving certain of the employees of the Company an interest in the profits earned will be conducive to the best interests of the Company by retaining efficient employees, and they trust that they will have the endorsement of the shareholders in this matter.

Before another annual meeting comes around the Directors hope to have worked out for submission to the shareholders a plan providing a pension fund so that when in the future we reach the time where the employee had given long years of faithful service to the Company, he can retire knowing that he will have an assured income in his declining years.

Profit and Loss Statement and Balance Sheet

The Profit and Loss Statement and the Balance Sheet will be placed before you when we come to the more detailed consideration of the business for the year, but a few observations upon it are in order here.

Looking first at the Profit and Loss side of the statement, we find that the profits for the year, after deducting all expenses, but without deducting Government War Tax for the current year, are \$572,804. The gross income of the Company from all sources was \$1,566,452.62 as against \$880,436.02 for the previous year. The total expenses of all kinds, including provision for bad debts and depreciation, was \$994,997.20 as against \$650,649.10 of a year ago. The adjustments between the premiums on stock sold and the organization expenses after deducting the grants to The Guide and Grain Growers' Associations of \$19,500, and charges which are applied back to the credit of Profit and Loss Account of \$3,075.84, give \$1,348.91, which added to the difference between the gross revenue and gross expenses just mentioned for the year under review gives the profit mentioned above.

Turning to the statement of assets and liabilities, we have an opportunity to ascertain the state of business health of the Company. The first thing that strikes one in comparison between our present statement and the one of a year ago is the very substantial increase in the Company's assets, which have grown from \$1,619,000 in round figures to \$2,900,000, an increase of over \$1,300,000.

The paid up capital stock has increased from \$867,422, at which it stood at the end of the previous business year, to \$1,073,179, or over \$205,000. There was at the 31st August capital subscribed but unpaid of over \$366,000, and we expect to get in a very fair share of this during the present year.

A more detailed explanation of the Balance Sheet will of course be given when we come to consider it

at a later session. There is one aspect of it, however, that I wish to refer to. In dealing a few moments ago with the business of the Grain Growers' Export Company I mentioned that immediately after the authority was received from Ottawa by the Company to issue additional capital, a further stock dividend was paid out of the undivided surplus the Export Company had a year ago, and that the Company drew from this \$175,000. This \$175,000 has not been taken into the profit of the present year, but has been carried direct to our reserve, which last year stood at \$340,000. Before applying it, however, there has been written off from the assets as they stood a year ago as follows:—

Fire loss and depreciation of value of land in the old Elevator "H" property already referred to.	\$63,794.00
Amount written off B.C. Agency, also already referred to.	\$36,000.00
Amount written off in connection with the option on the Ware Binder Clamp Device	\$17,508.70

You will recall from the last two previous annual reports of the Company that the Directors at that time had made an investment by way of securing an option to purchase a device patented by a man named Ware, for the purpose of binding grain by twine manufactured from flax straw. The Directors at that time considered it was advisable to secure this option, and consequently paid out on account of it from time to time the amount just mentioned. This option has expired within the past year, and since your Directors felt that a very considerable amount of additional money would have to be expended before it could be learned definitely what practical value the device in question had, they decided it was better to drop it than to go on incurring expenditure, and so the amount comes to be written off at the present time.

There was also the depreciation on the apartment block owned by the Company in St. Boniface of\$9,530.37

While this block is a modern apartment, it is doubtful whether the amount it stood at in our books could be secured for it on the basis of its present earning value, which has been reduced by the heavy decline in rents in the last few years, and it was therefore thought advisable by the Board to reduce its asset value by the amount mentioned.

There was also a provision for 1915 Business Profit Tax of\$7,452.97 Charged against the reserve of last year, since this tax on the previous year's business should not be charged against the present year.

These amounts I have just given you make a total depreciation on our assets as they stood a year ago of \$134,286.04. The difference between this figure and the \$175,000 above referred to as being carried direct to Reserve is \$40,713.96, which brought our Reserve without carrying anything to it from the profit of the present year, but including a few other miscellaneous items of a few thousand dollars, to \$382,840.62.

From the profits of the present year above mentioned, \$105,500 has been appropriated for purposes of dividend, which has been paid, and \$217,159.38 has been transferred from the balance to reserve, bringing the latter up to \$600,000. Out of the amount remaining, \$104,381.74 has been set aside to pay what is estimated will be required for War Tax for the current year, leaving slightly over \$150,000 at the credit of the Profit and Loss Account.

Turning to a somewhat closer examination of the items under "Investments," which in the Company's Balance Sheet amount to over \$1,400,000, a word or two may be of interest.

The large items are as follows:—

Home Bank of Canada.....	\$139,066.00
Stock in the Grain Growers' Export Co....	300,000.00

It should be noted that this stock has to its credit an undivided surplus in the Export Company, according to the latter's last balance sheet, of over \$80,000.

Public Press Ltd.....	\$75,500.00
Grain Growers' B.C. Agency.....	28,000.00
Traders' Building Association.....	4,472.00

This latter represents the amount of stock the Company holds in the present Grain Exchange Building.

Winnipeg Grain and Produce Clearing Association	\$ 2,200.00
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Memberships in Winnipeg Grain Exchange, Calgary Exchange, Vancouver Ex- change and Fort William Exchange...	26,730.00
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Real Estate—Lombard Street Property...	307,610.00
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This property, as you are aware, is located in the heart of the city, opposite the present building of The Great West Life, and it is the opinion of the Directors that as soon as possible an office building for the use of the Company should be erected upon it. This need is emphasized by the fact that our office rent in Winnipeg alone for the present year will cost us over \$20,000. The asset value placed on this property is considerably below the valuation secured on it a few years ago, and while some real estate values in the city have shrunk very greatly in the last few years, your Directors are of the opinion that this property is still conservatively valued.

Burnell Street Property.....	\$12,598.82
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This property is adjacent to Portage Avenue in the western part of the city on Burnell Street. It was purchased with a view to providing a future home for the Public Press and The Grain Growers'

Guide. In view of the growth, however, it was thought better to secure another site for this purpose, which fact has already been referred to.

There are also a few lots in St. Boniface, which were taken over on an account.

These are valued at\$ 3,749.00

The next item is the apartment block in St.

Boniface, our equity being..... 34,000 00

In addition there is \$2,000 paid on account of the purchase of new warehouse property, which has been referred to in connection with the Co-operative Department.

The next item is our Timber investment, standing now at \$225,682. A committee of your Directors last May visited this property and spent several days inspecting it. They were unanimous in the opinion that it is valued at a safe figure in our assets. Personally, I consider this one of the most valuable assets the Company has on its books.

The next item is the old site for Elevator "H," which is valued at \$25,000.

New Terminal "H" site and building, amount expended on same up to end of August, \$98,562.

Country Elevators owned by the Company, including flour warehouses, equipment at Terminal Elevator and value of work done to date on three elevators being built, \$110,596.24.

An abstract of investments shows the following:—

Stocks and Shares and Grain Exchange	
Sents	\$576,268.66
Real Estate—City Properties	360,319.00
Timber Investment	225,682.18
Elevator Buildings, Machinery, Equipment, etc.	241,929.56

The other items in the assets call for no comment, further than pointing out the fact that the funds on hand and in the bank amount to \$565,542.10.

If we turn for a moment to the Liabilities, we see that outside of Capital Stock and in Reserve they consist of accounts and bills payable to the extent of \$910,999.48.

An examination of the assets, however, shows that the advances on bills of lading and other debts due to the Company, together with the stock of grain and machinery on hand, are in themselves more than sufficient to meet the accounts and bills payable. Any further information will be given in the discussion of the Profit and Loss Statement when it is up for your consideration.

It is quite within the mark to state that the financial position of the Company has never been sounder than it is today. During the ten years covered since the Company commenced business the shareholders have never received less than a 10 per cent. dividend on their money, with the exception of the first year when the dividend was 7 per cent.

On the present value of the Company's assets their shares are worth 50 per cent. more than the par value, and this looking at it alone from the point of view of the actual return in dollars and cents. If we view the results of the Company's existence from the indirect benefits it has brought, they are very much greater, and cannot be adequately estimated. Taking it all in all, the shareholders have some reason to feel proud of the progress their Company has made in the first ten years of its history.

Retrospective

The 31st August last saw the completion of the first ten years of active business of the Company. The few men who gathered in Winnipeg in 1906 to organize it and start it in business and the few hundred earnest supporters throughout the country at that time of the idea of which it was the embodiment, while they had a vision of hope could scarcely have expected to

see the record of progress which the Company can show today as a result of its ten years' operations. While we should live in the future and for the future and not in the past, nevertheless it will not be out of place for us to survey briefly the achievement that ten years has brought.

From the 1st September, 1906, to the 31st August, 1916, the number of shareholders in the Company has increased from a few hundred to 18,163; the paid up capital from \$5,000 to over \$1,073,000; the profits earned from \$790 in the first year of the Company's history to over \$570,000 in the present year. The total grain handled during this period is over 205 million bushels. The total profits earned amount to \$1,488,740.97; and the total dividends paid to shareholders to \$550,000.

In addition to the paid up capital the Company has in reserves and undivided profits over \$700,000.

In the first year of its history the Company's business consisted of handling grain on commission with a small amount of track buying. Now it is engaged in practically every branch of the grain business, including operating country elevators, terminal elevators and export. In addition to the handling of grain it is handling livestock on commission, and has also entered on a considerable scale into the handling of a large portion of the staple goods that are necessary for a farmer's equipment.

Outside of the regular sphere of its own activities it provided the means whereby the Farmers' Organizations of Western Canada have had for eight years a journal of their own, and in connection with the establishment of this built up a profitable printing business, the control and supervision of which has always been under the direction of your Directors. The value that The Grain Growers' Guide has been to the farmers of Western Canada can scarcely be measured in dollars and cents, and it is worth while to remember that it was The Grain Growers' Grain

Company that provided the financial means to bring it into existence and has kept it going throughout the years when it was unable to support itself.

During this period \$75,000 in actual cash has been given by the Company to assist The Grain Growers' Guide and the Grain Growers' Associations of Manitoba and Saskatchewan and the United Farmers of Alberta in carrying on their respective work. Nor can the position and achievement of the farmers of Western Canada be measured by The Grain Growers' Grain Company and the work it has done. It is probably true that had The Grain Growers' Grain Company proved a failure in the first few years of its business, that the Co-operative Elevator Companies in Saskatchewan and Alberta would not have been formed, at least on the principle of the farmers retaining absolute control of them, and therefore the Company can claim, and I think claim rightly, that its success gave a large part of the inspiration which later brought these other organizations into being.

And what has been the result for the past year if we couple up the records of these other two Companies with that of The Grain Growers' Grain Company as the record of achievement of the organized farmers? It is that they have handled by their combined efforts over 90 million bushels of last year's crop, and they have handled direct for export a very considerable portion of this. They own or operate over 500 country elevators; combined they have in operation and under construction in terminal elevator capacity over five million bushels; they have at present more than 45,000 shareholders, and their combined profits for the past year, without making deduction for war taxes, have been over one and a half million dollars.

What of the Future?

And what is the outlook for the future? If the shareholders and those whom they have placed in charge of the respective Companies' business remain true to

the principle and ideal which brought them into existence, they cannot fail to increase in the right direction their power and influence in the commercial life of Western Canada.

While it is always dangerous to enter the realm of prophecy, it is not too much to expect that within the next ten years the farmers of Western Canada will be operating their own saw mills and their own flour mills, possibly their own coal mines and meat packing plants, and may be caring for their own fidelity and fire insurance.

What I have just said has to deal with the material advancement, or perhaps better, the purely commercial aspect of the work. While progress has been made in this direction equally as great progress has been made in the direction of elevating the whole status generally of the worker on the land as a factor in the development of the country. The farmers' organizations are today regarded by thoughtful men as important factors in the development of our national life. The work of agriculture has taken on a new dignity and is looked upon in a new light by the well-informed men in other positions in life. There has, unconsciously perhaps, been growing in the minds of farmers generally a heightened self-respect for the work they are engaged in, and a truer estimate of their position in society and of their importance in national development. The time was when the great majority of farmers (and in a great many communities the idea still holds) thought that because a man earned his living by manual labor upon the land, he therefore occupied an inferior position in society, as against the professional man or merchant, and because of his isolation the incentive to develop his own faculties was largely lacking. His view was that muscle was the chief requisite in his work, and that the brain was a part of the human anatomy that he required to use only to a very small degree. However, a change is taking place. There is now a growing knowledge among our farmers that this is a mistake, and that there is scarcely any occupation in

life that requires in the same degree, for its successful operation, the continuous application of intelligent planning and thought that the business of farming requires. The idea of thoughtlessly trusting to what is called "luck" is giving way to the better method of trusting to intelligent thought and action. That this change, which has gone on unconsciously, very important, yet scarcely noticed, is due in great measure to the influence emanating from the meeting of men working together for a common cause cannot be questioned. Our farmers' organizations in and by this work have contributed powerfully to this end, and this Company to the extent that it has assisted in this by promoting and aiding it by financial help, or in any other way, has played a part, by no means small, in helping in this very important development. Let us all keep in mind that we are working not alone for what concerns our material advantage, important as that may be, but for the bringing about of a better and higher type of citizenship. One of the most important responsibilities resting upon those charged with any authority in any of our Grain Growers' organizations is to foster and develop and extend the growth of this idea, not along the lines of sectionalism and selfishness, but along the broad minded plan that seeks to inculcate as the best principle of human relations, the golden rule—"Do unto others as you would have them do unto you."

Amalgamation of Farmers' Companies

President Crerar's report outlining steps that had been taken during the past twelve months to bring about an amalgamation or confederation of the farmers' companies and farmers' associations of the three prairie provinces, read as follows:—

At the Annual Meeting of the Company, held November 11th and 12th, 1915, the following resolution was unanimously passed:—

"Whereas it is desirable to federate as closely as possible the farmers' business organizations of Western Canada in order that they may carry on their work with the highest degree of efficiency and avoid the development of possible rivalries and jealousies that could not fail to be injurious to the work of the organized farmers of Canada.

Therefore be it resolved that the shareholders of this Company hereby express their approval of the principle of federating the various organizations referred to, and urge the Directors to take such steps as they think advisable to promote and carry out such a plan."

In accordance with this instruction your Directors have been working upon this important matter and have worked out a plan with the Directors of the Alberta Farmers' Co-operative Elevator Company for amalgamating the two companies.

Before dealing directly with this proposal the Directors wish to place before you briefly the steps that led up to it.

A resolution similar in effect to the resolution given above was passed by the shareholders of the Alberta Farmers' Co-operative Elevator Company at their annual meeting a year ago. About the same time the matter was considered by the shareholders of the Saskatchewan Co-operative Elevator Company, and the following resolution was passed:—

"That this meeting hereby expresses its approval of the principles of federating the various organizations referred to, and urges the Directors to thoroughly look into the matter, but to take no definite action without first submitting the scheme to a general meeting of this Company."

The proposal of uniting these companies had in a general way been discussed at various meetings of the Canadian Council of Agriculture throughout 1915; and in February, 1916, prior to the holding of the

Saskatchewan Grain Growers' Association Convention at Saskatoon, a meeting of representatives from the Companies and Associations interested was held in Regina in the offices of the Saskatchewan Co-operative Elevator Company.

At this meeting the problem was approached from the point of view of forming one large concern on much the same plan as the Wholesale Co-operative Societies in the Old Country, the function of which would be the marketing of grain, export of grain, control of terminal elevators and any manufacturing industries that might later be undertaken. Each province would continue to have its own provincial company, operating along the lines they had been operating upon and looking after the problem of collection and distribution of the supplies and commodities that might be produced or purchased by their shareholders and farmers generally.

The central idea of this plan was that the provincial companies would absolutely control the central or wholesale company, the provincial companies remaining with their separate organization looking after the collection and distribution of such commodities as they would handle, through the formation of local organizations in the respective districts, along the lines of the present locals in the Alberta and Saskatchewan Co-operative Elevator Companies.

Since the charter of The Grain Growers' Grain Company possessed practically all the powers that were required by the central or wholesale company, it was suggested to use it. In discussing, however, how the organizations should be co-ordinated in order to ensure as far as possible the successful working out of a plan that would give the best possible assurance of permanence, a distinct difference of opinion became manifest in respect to the method that should be followed in selling grain. The Executive and Directors of the Saskatchewan Co-operative Elevator Company held to the view that each provincial company should

retain the right to keep its own selling agency in Winnipeg or elsewhere if necessary to sell in these markets the grain it controlled or handled, and that the function of the central or wholesale company should consist of handling terminal facilities, export of grain, manufacture of flour or lumber, or any other manufacture that should be entered into, and control of subsidiary companies such as The Grain Growers' Guide, or more correctly speaking, the Public Press Limited.

In this view, the honesty of which we do not for a moment question, they were supported by the chief officials of the Saskatchewan Grain Growers' Association. The representatives from the United Farmers of Alberta, the Alberta Farmers' Co-operative Elevator Company, the Manitoba Grain Growers' Association and The Grain Growers' Grain Company felt that it would be not only unwise, but impossible to federate the three business organizations upon this basis, and that in actual practice it would not prove much of a departure from the situation that already existed.

While it seemed impossible to reconcile the divergence of views in this respect, it was thought advisable by all concerned that the matters should have further consideration, and a committee was appointed to work upon the matter and if possible suggest some other plan that would combine the organizations in such a way as would bring about the result desired. This committee gave considerable thought to the matter from the point of view that it might be possible to link up the various interests by having the three Companies, The Grain Growers' Grain Company, the Saskatchewan Co-operative Elevator Company and the Alberta Farmers' Co-operative Elevator Company become jointly interested in the ownership and control of subsidiary concerns calculated to carry on the work common to all, such as an Export Company, a Terminal Elevator Company, The Grain Growers' Guide, or Public Press Limited, and any other manufacturing concerns that might be started.

This proposal was presented to a meeting of the Canadian Council of Agriculture held in Winnipeg in July, 1916. The Alberta Farmers' Co-operative Elevator Company and the United Farmers of Alberta had previous to the time of this meeting in July given further consideration to the matter. They felt from the views that had been expressed by the representatives of the Saskatchewan interests:

"That there was a doubt as to whether Saskatchewan was ready to consider federation at the present time, on a basis acceptable to the other provinces, and considered whether it would be possible to arrive at a scheme of federation between the other interests concerned, provided Saskatchewan decided not to come in." After considering the question from every point of view it was decided by them that the possibility of Saskatchewan not being ready to proceed with federation at the present time should not necessarily overthrow any idea of federation at all, and it was felt by them that it would be advisable to enter into negotiations with The Grain Growers' Grain Company and the Manitoba Grain Growers' Association, and if possible prepare a plan for presentation to the shareholders of the two Companies and the other organizations in Manitoba and Alberta, forming the plan in such a way that Saskatchewan could unite with the organizations at any time.

When the Board of Directors of the Alberta Farmers' Co-operative Elevator Company and the Executive of the United Farmers of Alberta had jointly considered the matter on July 4th, the following resolution was unanimously passed at their meeting:—

Moved by Mr. Parker and seconded by Mr. Wingate:—

"That this Board go on record as being in favor of entering into negotiations with The Grain Growers' Grain Company Limited, the United Farmers of Alberta and the Manitoba Grain Growers' Association with a view to bringing about the affiliation of the farming interests of Manitoba and Alberta."

This resolution was formally sent to the Board of Directors of The Grain Growers' Grain Company, together with a letter outlining the idea it contained more fully. It was considered by the Board and it was unanimously agreed that the suggestion made should be accepted, and your President was appointed to work in conjunction with Mr. C. Rice Jones, President of the Alberta Farmers' Co-operative Elevator Company, who had been appointed by their Board, to work out the broad details, for submission later to the respective Boards.

This proposal was also submitted to the meeting of the Canadian Council of Agriculture held in July last and referred to above. The officials representing the Saskatchewan organizations expressed their dissent to the proposal. The representatives of the other interests concerned, while they regretted the fact that the Saskatchewan men could not see their way clear to support it, decided that this should not stand in the way of giving further consideration to the matter and learning if possible if some closer federation could not be worked out with the co-operation of the Manitoba Grain Growers' Association and the United Farmers of Alberta between The Grain Growers' Grain Company and the Alberta Farmers' Co-operative Elevator Company.

Mr. Rice-Jones, who had been appointed by the Alberta Farmers' Co-operative Elevator Company, and your President after giving considerable thought to the matter made certain recommendations to their respective Boards, which were unanimously adopted and the adoption of which led to the holding of a full joint meeting of the Boards of Directors of the two Companies in Winnipeg, together with R. C. Henders, representing the Manitoba Grain Growers' Association, and H. W. Woods and P. P. Woodbridge, President and Secretary of the United Farmers of Alberta. J. L. Brownlee, Solicitor for the Alberta Co-operative, and W. H. Trueman, of Bonnar, Trueman & Co., Solicitors for The Grain Growers' Grain Company,

were also present, to advise upon the legal aspects of the question.

At this meeting it was decided to recommend to the shareholders of both Companies that the two Companies be amalgamated and joined into one Company. It was first considered that it would be advisable to secure a charter for an entirely new Company to be known as The United Grain Growers' Limited, this Company to absorb the present Grain Growers' Grain Company and the Alberta Farmers' Co-operative Elevator Company. After giving full consideration to this matter and considering the alternative of getting certain changes to the charter of The Grain Growers' Grain Company, it was decided that the latter course was the better one to follow. At this meeting the following resolutions were passed unanimously:—

Resolutions

1—"That these joint Boards go on record as being in favor of securing amendments to and adopting the charter of The Grain Growers' Grain Company Limited as the charter for the Amalgamated Company,"

2—"That the name of the Company be **United Grain Growers Limited**.

3—"That these joint Boards go on record as being in favor of the elimination of personal and proxy voting and the substitution in place thereof of delegate representation and voting."

4—"That the delegate representation be on the basis of Locals and District Locals and that as far as possible the territory in Manitoba and Saskatchewan be divided up into District Locals that will provide similar representation for the shareholders with the Locals already established in Alberta, and that the working out of the scheme for presentation to the Annual Meetings be left to the committee appointed by the Chairman."

5—"That the payments on shares subscribed for in the Amalgamated Company be upon the same basis as is now in force for the collection of stock of the Alberta Farmers' Co-operative Elevator Company."

6—"That the recommendation of this Joint Board be that as far as it is considered practicable the Annual Meeting of the Company should be held alternately in Manitoba, Alberta and Saskatchewan, at such place in each Province as shall be designated the principal place of business of the Company in that Province, such place to be decided upon by the Directors, on a date in the month of November in each year."

7—"That an amendment be secured providing that 10 per cent. of the organized locals in the Amalgamated Company can call a special or general meeting of the Company on the necessary notice being given."

8—"That an amendment be secured to The Grain Growers' Grain Company charter limiting the number of shares to eighty to any one shareholder."

9—"That this joint conference go on record as being in favor of a Board of Directors consisting of twelve members for the Amalgamated Company."

10—"That this Joint Board recommend to the Annual Meeting of The Grain Growers' Grain Company that the Directors of the Company should be elected for a period of three years with one third of the members retiring in rotation each year."

11—"That this joint meeting recommend that the Executive Committee shall consist of five members."

12—"That the four Presidents of the farmers' organizations of the two provinces, with four others to be appointed by the chair, be a committee with power to draft amendments to the Act of Incorporation of The Grain Growers' Grain Company, and the by-laws of the new Company which may be formed, and to deal with other matters in conformity with the resolutions passed by this Joint Board, and that the com-

mitter shall be authorized to employ legal and accounting assistance, and that the expenses of this committee be borne equally by The Grain Growers' Grain Company and the Alberta Farmers' Co-operative Elevator Company."

13—"That the special committee to be appointed to put into effect the recommendations of these Boards have power to call to their assistance expert accountants to make a complete valuation of the assets of the two Companies, with a view to arranging an equitable basis for the exchanging of the stock of the two Companies."

14—"That this joint meeting place itself on record as being in favor of requesting the Government of the Province of Alberta to continue to advance money on elevators to be erected by the Company in that Province; further, that in the event of elevators being erected in the other Provinces, the Provincial Governments of those Provinces be asked to give similar assistance."

Resolutions Adopted at Calgary

At a meeting of the sub-committee held in Calgary prior to the Annual Meeting of the Alberta Farmers' Co-operative Elevator Company, at which all members of the committee were present, the following resolutions were unanimously adopted:—

1—"That at the points where elevators may be built or acquired by the new Company, the Joint Boards go on record as favoring the present plan in operation in Alberta, namely, that of stock being subscribed locally before an elevator is built or acquired at that point."

2—"That the Joint Boards recommend to the next Annual Meetings of The Grain Growers' Grain Company Limited and the Alberta Farmers' Co-operative Elevator Company Limited that the basis of repre-

sentation to the annual or general meetings of the United Grain Growers Limited be on the basis of one delegate from each local to each 125 shareholders or less, or major portion thereof for the second delegate, regardless of the amount of capital stock subscribed, and that the shareholders where not already organized be grouped into locals represented by not less than \$8,000 of capital stock and the minimum number of 40 shareholders; provided, also, that in districts with less than the required number of shareholders, or less than the required amount of capital stock, each shareholder shall be attached to such local as he may select until such time as the amount of capital stock and number of shareholders in his district are sufficient to form a local; also, that a shareholder may at any time secure a transfer to one of the next adjoining locals which he may select, provided that such transfer does not reduce the local to which he has been previously attached below the standard requirements."

3—"That a local board of management consisting of five duly qualified shareholders supporting the said local shall be elected at the local Annual Meeting; also, that the local board of management shall meet immediately after the Annual Meeting of the supporters of the local and organize by electing from among their own number a Chairman, and shall also appoint a Secretary."

Important Amendments

From these resolutions it will readily be seen that of the amendments to the present charter of the Company these are the more particularly important ones:—

(a) The change in name from The Grain Growers' Grain Company Limited to United Grain Growers Limited.

(b) The provision that the annual meeting may be held at other points than where the chief office of the Company is located.

(c) The increase of the capital to five million dollars.

(d) Those which deal with the abolition of proxy voting, the formation of the shareholders into local groups and the representation of these groups at special or general meetings by delegates, who alone shall have the right to vote at such meetings.

These changes in the charter, it may be frankly stated, are designed to introduce the same system of internal government that is now in practice in the Alberta Farmers' Co-operative Elevator Company and in the Saskatchewan Co-operative Elevator Company.

Your Directors, after giving this matter very full consideration, are unanimous in the opinion that these changes are desirable, and think they should be secured whether we amalgamate with the Alberta Company or not. At the present time out of 18,000 shareholders not more than 300 attend the meetings in person; not more than 2,000 of the remaining shareholders are represented by proxy, and a great many of these send their proxies in to the Annual Meeting to be distributed among the delegates present. The effect of this is that not more than 20 per cent. of the shareholders are represented in any way at shareholders' meetings, and this unquestionably leaves the way open for a group of designing shareholders to secure control of an Annual Meeting. It is a notorious fact that a few years ago one shareholder came to the meeting with over 250 proxies which he was entitled to vote. Half a dozen shareholders coming armed with a similar amount of proxies could at our Annual Meeting do just as they pleased. Discussions have frequently taken place in the past at our Annual Meetings as to the advisability of doing away with proxy voting, and opinions have been expressed of the danger that lay in this system. This was particularly discussed at the Annual Meeting two years ago when the following resolution was unanimously passed:—

"That in connection with By-law No. 51 dealing with the proposed amendments to the Act incorporating the Company, the Board of Directors are hereby instructed to take the necessary steps, and to use their fullest possible powers to have deleted from the charter those sections of the Act permitting proxy voting."

The above resolution was passed at the Annual Meeting held November 4th, 1914.

By the substitution of delegate voting a great many more of the shareholders can be directly represented than is possible at the present time, the idea being that the shareholders, when formed into a local group, will have an organization as a group that would be registered in the head office books of the Company. They will meet once a year, or oftener, and select a delegate or delegates to represent them at the Annual Meeting. The expenses of the delegates to the meeting will be paid by the Company, and when they return to their locals they will be expected to report to the shareholders composing them the result of the Company's Annual Meeting, and to give them any information they can as to what business has been done in the past year. This is the same principle as that by which delegates are appointed to attend the annual conventions of the Grain Growers' Associations and the United Farmers of Alberta.

As pointed out, this is the form of government in the Alberta Farmers' Co-operative and the Saskatchewan Co-operative Elevator Companies. The Directors of the Alberta Farmers' Co-operative Elevator Company are firmly convinced that it is a much superior method to that at present in practice in The Grain Growers' Grain Company, and your Directors are in unanimous agreement with them in this respect.

There is also a provision that the amount of capital stock that a shareholder can hold should be increased to eighty shares. This is necessary since there are quite a number of farmers in Alberta who are at present shareholders in both Companies. Each shareholder

will, however, only have one vote in his local meetings, thus ensuring the democratic principle of "one man, one vote" in the selection of delegates to the annual or general meetings, and also the principle of "one man, one vote" on the part of the delegates when present at the Annual Meeting. This will enable a shareholder to own \$2,000 worth of stock, but no more, and the person who owns \$2,000 worth of stock has the same voice in the administration of the affairs of the Company as the shareholder owning \$25.00 worth of stock.

The method of electing Directors suggested is the same as that which is in effect now in the Alberta Farmers' and the Saskatchewan Co-operative Elevator Companies.

If you adopt this report, resolutions covering these various points, in which it is necessary to secure amendments to the charter, will be submitted to you for your approval, thus clearing the way for securing these amendments at the next session of Parliament in Ottawa.

Since the United Company, if the plan as sketched is adopted, will have a much larger business than the two Companies forming it now have, it was thought advisable by the Joint Boards to recommend that the number of Directors be increased to twelve, and that a larger Executive be appointed, some of whom could be resident in Calgary and some in Winnipeg.

The 200 delegates representing 12,000 shareholders of the Alberta Farmers' Co-operative Elevator Company, present at their Annual Meeting a few weeks ago, after fully discussing the matter, unanimously decided without a dissenting voice to adopt the principle of uniting their Company with The Grain Growers' Grain Company upon the terms outlined above.

The matter is now before the shareholders of The Grain Growers' Grain Company for their consideration. If they approve of the idea, the amendments to the

charter will be sought and all the steps taken to complete the amalgamation so that the organizations can start business as the "United Grain Growers Limited" at the beginning of the next business year.

Your Directors place this matter before you for your consideration. Their unanimous opinion is that it is a wise step and should be adopted by our shareholders. Nevertheless, it is a very important step, and it is desirable that the shareholders should discuss it fully and satisfy themselves as to the merit of it.

We believe that a field for development lies ahead of the United Company that can be much more successfully carried out than if the two Companies remain as they are at present, and in addition it will be the means of building up a solid and united front, at least as far as the shareholders of these two Companies are concerned.

Later on, should the Saskatchewan organizations or similar organizations from any of the other Provinces desire to join the United Company, the way will be entirely open for them to do so.

One Change After Discussion

This question was discussed for the greater part of the second day of the meeting. Some suggested that it should be held over for a year and be taken up at the Annual Meeting in 1917. A few favored a form of federation that would avoid Provincial Companies or Associations losing their identity.

It was evident from the start, however, that the shareholders wanted the farmers' Companies to get together for united effort in the farmers' interests. On being put to a vote the opinion was found to be practically unanimous in favor of amalgamation. Not half a dozen hands were raised in opposition. When it came to a discussion of the various clauses all were left as outlined by the President with the

exception of No. 8, dealing with the maximum number of shares that can be held by each shareholder of the new Company. The number was raised from 80 to 100.

The following resolution was then passed by unanimous vote:—

“That the report of the Directors covering proposed amalgamation of the Company and Alberta Farmers' Co-operative Elevator Company Limited, having been adopted by the shareholders of The Grain Growers' Grain Company Limited, the directors be and they are hereby authorized to carry out and complete said amalgamation in accordance with the terms of said report and to do all things which in the judgment and discretion of the Directors are necessary to be done to provide for and carry out said amalgamation;

“And be it further resolved that By-law No. 55 (covering necessary changes in charter, by-laws, etc.) adopted by the Company be approved and ratified as a whole and that the Directors be and they are hereby empowered to carry out and give effect to said by-law.”

Recognition of Mr. Partridge's Services

Most of our shareholders are aware of the fact that Mr. E. A. Partridge, of Sintaluta, Sask., who was the first President of the Company, was also in a large degree responsible for bringing the Company into existence. The Board of Directors some months ago as a slight recognition of his untiring efforts in organizing the Company which has grown to such splendid proportions, sent him a cheque for \$5,000. Shareholders present at the meeting showed their approval of this step by hearty applause and a resolution was passed approving of the action of the Board of Directors in making this recognition to the man who founded the Company.

Donations to Patriotic Funds

As is indicated in our Financial Statement, the Dominion Government War Tax on our profits for the present year will amount to over \$100,000. The total assessed as War Tax from the Company and subsidiary Companies during the past two years stands around \$280,000. In addition to this amount, shareholders unanimously voted an additional \$12,000 from the profits of the year's business to be distributed as follows:—

Canadian Red Cross Fund	\$ 5,000.00
Canadian Patriotic Fund	2,500.00
Belgian Relief Fund	2,500.00
Orphans' Care and Educational Fund..	2,000.00
Total	<u>\$12,000 00</u>

Balance Sheet as at 31st August, 1916

1916		
Aug. 31.	By Grain and Merchandise Accounts	\$1,566,452 62
	Elevation, Storage, Screenings, Twine, Machinery, Commissions, Dividends, etc.	
	To Expenses Operating Line and Terminal Elevators and General and Adminis- trative Expenses	\$ 824,107 55
	" Rents of Manitoba and Terminal Ele- vators	141,677 00
	" Bad Debts Provisions	19,670 29
	" Depreciation on Elevator Buildings and Machinery	9,542 36
		\$ 994,997 20
	" Balance Carried Down	571,455 42
		\$1,566,452 62 \$1,566,452 62

1916		
Aug. 31.	By Balance brought down (subject to cur- rent year's War Tax)	\$ 571,455 42

To which has to be added:

Premiums on Stock Sold ...	\$48,200 00	
Less Cost of Selling Stock ...	24,275 25	
		\$ 23,924 75
Amount carried forward at credit of Profit and Loss Account as at 31st August, 1915	\$ 7,156 73	
Deduct : Sundry amounts charge- able thereto, in- cluding \$4,500 of Grants to As- sociations	\$22,743 31	
Under-provision on account of Dividends, year 1914-15	6,989 26	
		29,732 57
		22,575 84
		1,348 91
		\$ 572,804 33

Certified correct.

JOHN SCOTT, C.A.	} Auditors
W. H. BEWELL	

Winnipeg, 27th November, 1916

Profit and Loss Account for 12 Months ending 31st August, 1916

ASSETS		
Investments		\$1,413,341.79
Stocks and Shares, Grain Exchange		
Seeds and Timber Investment.....	\$ 801,950.84	
Real Estate—City Property	360,319.00	
Elevator Buildings, Machinery, Equipment, etc.	251,071.95	
	<u>\$1,413,341.79</u>	
Advances on Bills of Lading and other Debts due to the Company		489,406.95
After making provision for Doubt- ful Debts,		
Stocks of Grain, Machinery, etc.		432,155.59
In terms of approved Inventories.		
Miscellaneous Supplies and Accruals ..		23,350.90
Funds in Bank and on Hand		565,542.10
Furniture and Fixtures, etc.		16,027.05
LIABILITIES		
Accounts and Bills Payable		\$ 910,999.48
Capital Stock		1,073,179.95
Amount Subscribed	\$1,440,160.00	
Less Amount Unpaid on Capital and Premium	366,980.05	
	<u>\$1,073,179.95</u>	
Dividend Account		100,500.00
Provision for dividend at the rate of 10% per annum.		
Dominion Government		104,381.74
Estimated Amount of War Tax for Year 1915-1916.		
Reserve Account		600,000.00
Profit and Loss Account		150,763.21
Amount at credit thereof, as per separate statement	\$ 572,804.33	
Disposed of:		
in providing Dividend for the year at the rate of 10% per annum	\$100,500.00	
in providing for estimated amount of War Tax, 1915-1916	104,381.74	
in transferring to Reserve	217,159.38	
	<u>422,041.12</u>	
	<u>\$ 150,763.21</u>	
		<u>\$2,939,824.38</u> <u>\$2,939,824.38</u>

JOHN SCOTT, C.A.
W. H. BEWELL } Auditors

Winnipeg, 27th November, 1916.

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Auditor's Comments

In a letter to the President and Directors of our Company, when submitting final accounts of the various departments for the year ending August 31, 1916, Mr. John Scott, of John Scott & Co., Chartered Accountants, after referring to the financial statement of the various departments, commented as follows:—

"The financial position of the Company as disclosed from the Balance Sheet is very sound. The investments, of which a list has been supplied, now stand at \$1,413,341.79 (and this, as will be noted, after writing down the value of several) and in themselves alone exceed the \$1,073,179.95 of outstanding capital to shareholders by \$340,161.84. The current assets remaining, including \$565,542.10 of funds in the bank, amount to \$1,526,482.59 against current liabilities of \$910,999.48, thus leaving a marginal surplus of \$615,483.11, which with the \$340,161.84 referred to, gives a total of \$955,644.95, which is the equal of the amounts at the credit of Reserve and Profit and Loss Account taken together. These figures place the stock of the Company at a handsome premium, and it must be surely gratifying to the shareholders to reflect on the fact that apart from all other considerations their investment has never failed to return them a dividend of 10 per cent. per annum during the whole ten years of the Company's existence, with the added satisfaction that today that investment has very nearly doubled in value.

"In the light of these pleasing facts it would appear to be a time for congratulation and from one whose connection with the Company has been from the inception, there is, in his opinion, much cause for satisfaction with what the management has accomplished in the ten years the Company has been in business."

Yours respectfully,

(Sgd.) JOHN SCOTT & CO.,

Chartered Accountants.

Remarks by Shareholders' Auditor

To the Shareholders of The Grain Growers' Grain Co. Ltd.

With much pleasure I submit the following explanatory notes upon the Financial Statement of the Company for the year ending August 31st, 1916, presented at the Annual Meeting on November 29th. A careful reading of this Annual Report, containing not only the Financial Statement, with explanatory notes and Comparative Statement, but also the President's comprehensive report on the year's business, and on the outlook and activities of the several departments of the Company, and a very interesting letter from the Chartered Accountant to the President and Board of Directors, will enable the reader to acquire a good general knowledge of the Company's operations for the past year, and of its various interests, enterprises and prospects.

As this Annual Report sets forth the scope and standing, the progress and activities of the Company at the close of ten full years of its business operations; it may be interesting, before proceeding with the usual remarks upon the Financial Statement, to recall briefly a few items from our earlier experience and history, in addition to those found in the useful Comparative Statement of progress, published regularly in the Annual Report. During the first five years, until 1911, our Company operated under a Provincial charter. Since that time its operations have been under a Dominion charter.

When the Company opened for business on September 5th, 1906, it had allotted 1,000 shares of Capital Stock, held by 773 farmers (viz., 763 shares for 638 farmers in Manitoba, 233 shares for 131 farmers in Saskatchewan and 4 shares for 4 farmers in British Columbia). Upon each share 10 per cent. or \$2.50 had been paid at time of allotment, making \$2,500 of

paid up capital. Of this amount \$1,500 had been expended in organization, including charter. About this time a 20 per cent. call upon stock was made. This call was promptly met in most cases, adding nearly \$5,000 to the paid up capital, but immediately an expenditure of \$2,500 was required to purchase a seat in the Grain Exchange. Offices, office staff and equipment, however modest, were necessary, so that the available working capital was very small. A review of that first year's experience, difficulties and survival is intensely interesting and should be placed on permanent record. Opposition was met from different quarters—enough to fill a book. Suffice it to say here, however, that all difficulties and handicaps, though many and great, have been successfully combatted and overcome. The efforts of those who bore the brunt of the strenuous experiences of those days will never be forgotten; their names should ever be held in grateful remembrance by farmers of the Canadian West.

My purpose here, however, in order to indicate in some measure the growth, development, activities and progress of the Company, is simply to compare certain features as gathered from the Annual Reports published at the close of the first, fifth and tenth years of its operations respectively.

	At end of first busi- ness year June 30, 1907	At end of fifth busi- ness year June 30, 1911	At end of tenth busi- ness year Aug. 31, 1916
Shareholders	1,540	11,778	18,165
Shares of stock allotted	1,853	24,062	57,605
Average shares per shareholder	1.20	2.09	3.17
Revenue of the year . . .	\$27,839	\$216,971	\$1,566,452
Expenditure of the year	27,049	147,396	994,997
Profits of the year	790	69,575	571,455
Assets at close of year .	67,175	892,628	2,939,824

Liabilities to others than shareholders, not including war tax, 1916	54,590	251,198	910,999
Bank overdraft at close of year	47,707	226,814	
Funds in bank and on hand			565,542
Paid up capital stock ..	11,795	492,062	1,073,179
Investments	2,500	360,189	1,413,341
Total employees of the Company in all its departments	13	65	450

Until the close of the fifth year of our Company's operations the office staff comprised our complete list of employees. Since that time expansion has taken place until now 170 outside employees are engaged in our Line Elevator Department and 72 at our Terminals, in addition to 208 employed at the Winnipeg and Calgary offices, including the Co-operative Supply Department.

It may be of interest to note that the cheques issued during the year ending August 31st, 1916, in the transaction of the Company's business, amounted to \$67,272,750.

VOLUME OF BUSINESS—The total receipts of farmers' grain during the past year amounted to 36,957 cars, viz., wheat 29,043 cars, oats 5,816 cars, barley 1,901 cars and flax 197 cars. For the year ending August 31st, 1915, the receipts were 14,856 cars, and for the year ending August 31st, 1914, 21,134 cars, hence the receipts of farmers' grain during the past year exceeded those of the two preceding years combined by 967 car loads, and were nearly equal to the Company's entire receipts during the first five years of its operations.

ALLOTMENT OF STOCK—On August 31st, 1916, the total number of shares of Capital Stock

standing allotted is shown to be 57,605 shares, held by 18,165 shareholders, an increase for the year of 9,629 shares and of 1,392 shareholders. The subscribed capital rose from \$1,199,400 to \$1,440,160 and the paid up capital from \$867,422 to \$1,073,179.

Profit and Loss Account

REVENUE, \$1,566,452.62—Apart from premiums on stock sold, which is dealt with separately, the sub-heading "Grain and Merchandise Accounts" comprises the entire revenue of the Company for the year, arising from the various operating departments, namely, Commission, Line Elevator, Terminal "H," Terminal "B," Co-operative, including machinery, livestock, the Calgary office, and from dividends on investments, controlled by the Head Office. Among the chief sources of revenue being commissions, storage, elevation, track and elevator purchases, handling and clearing charges, screenings, etc., in the grain handling departments, and flour, apples, coal, lumber, fence posts, fence wire, twine, machinery, etc., in the Co-operative Supply Department.

EXPENDITURE, \$994,997.20—Except the items dealt with below, in the disposition of "Premiums on Stock Sold," this amount includes the total cost of conducting the business of the Company for the year, in all departments.

EXPENSES OPERATING LINE AND TERMINAL ELEVATORS AND GENERAL AND ADMINISTRATIVE EXPENSES, \$824,107.55—This amount embraces the expenses of the year in all departments, except those separately stated, and includes expenses classified as selling expenses, warehouse expenses and commissions in the Co-operative Supply Department, working expenses and taxes in all the elevator departments, track buyers' salaries and expenses in Calgary and commission departments, insurance and interest on elevators owned, and general and administrative expenses in all departments.

As here used, the terms "Selling Expenses," "Warehouse Expenses" and "Commissions," include the salaries, travelling expenses, catalogs, advertising, postage, freight and cartage, shipping expenses, rent and light, etc., directly incurred in the sale, storage, distribution and oversight of goods advertised, stored or sold in the Co-operative Supply Department, and the allowance made to the Saskatchewan Grain Growers' Association, under a joint arrangement respecting sales in that Province. "Working Expenses" embrace the outlay for wages, power, elevator supplies, repairs and maintenance, switching charges, insurance on grain, license fees, weighing and inspection, sacks, cargo allowance, registration and cancellation, shortages, adjustments, etc., etc., at the Terminals, and for the Line Elevators "Working Expenses" cover salaries and expenses of all the operating staff, repairs and equipment, scale inspections, licenses, car liners, etc., etc. Taxes, interest and insurance here embrace the amounts paid under these headings on our own Line and Terminal Elevator properties and taxes paid on Terminal "B."

The term "General and Administrative Expenses" embraces a wide field of expenditure, in which most of the payments render service to more than one department, and hence cannot properly be wholly charged to a single department, but are classified under this heading and distributed respectively to each of the departments affected according to the service rendered. Under this heading are included all expenses not otherwise designated: Executive, managers, departmental and office salaries, directors' fees and expenses, executive and managers' travelling expenses, auditors' fees, legal expenses, taxes, office, printing and stationery, advertising, postage, telegraph and telephone, office, rent and light, insurance, bank interest and insurance, war tax, war tax stamps, interest and exchange, brokerage, business tax, office furniture and fixtures, office supplies, sampling, expressage, registration and inspection, together with many minor items of expenditure, such as cost of bonding officers of the

Company, cost of bonding as commission merchants and track buyers, printing president's address and auditor's report for 1915, annual meeting, Grain Exchange fees and dues, bonuses to employees, donations to charity and to patriotic and philanthropic institutions deemed worthy of support, markets news, printing and mailing daily price lists, subscriptions to commercial journals for office use, licenses, caretaking, etc., etc.

RENTS OF MANITOBA AND TERMINAL ELEVATORS, \$141,677—This embraces the \$73,387.04 paid as rentals for Line Elevators and \$68,289.96 rental for Terminal "B."

BAD DEBTS PROVISION, \$19,670.29—This indicates the amount written off during the year on bad debts account, and the provision made at the close of the year for debts deemed doubtful.

DEPRECIATION ON ELEVATOR BUILDINGS AND MACHINERY, \$9,542.36—This includes the allowance for depreciation in buildings and machinery in the elevator departments and concessions on the electric plant in Terminals "B" and "E."

TOTAL EXPENDITURE AS ABOVE, \$994,997.20, which being deducted from the revenue, \$1,566,452.62, leaves a balance of \$571,455.42 as the profits on the year's operations (subject, however, to the current year's war tax). This balance is supplemented by a balance arising out of adjustments of certain payments chargeable to the previous year, the disposition of the stock premiums, the organization and educational charges, and the open balance in profit and loss account on August 31st, 1915.

It having been deemed advisable that funds arising from "Premiums on Stock Sold" should, as far as practicable, provide for organization, educational and similar expenditures, these adjustments may be

stated in this way: Premiums on stock sold, \$48,200, less cost of selling stocks, including organization expenses, \$24,275.25, leaving a credit balance of \$23,924.75. In the balance sheet for the year ending August 31st, 1915, there is found provision for the dividend for that year an estimate of \$80,000, and an open balance of \$7,156.73 in the Profit and Loss Account, a total of \$87,156.73, from which the dividend was to be provided. When the dividend was worked out it was found that the amount required for this purpose was \$86,989.26, which deducted from \$87,156.73 left, after paying the dividend, a credit balance of \$167.47, which added to the \$23,924.75, balance, make a total of \$24,092.22.

On the other hand, during the year, grants to the Manitoba and Saskatchewan Grain Growers' Associations, the United Farmers of Alberta and Ontario, The Grain Growers' Guide and to other worthy objects, amounted to \$19,500, and there were also payments made during the year, properly chargeable to the previous year, amounting to \$3,243.31, the chief items being donations to the Patriotic Fund and bonuses to employees. These amounts form a total of \$22,743.31, which deducted from the above \$24,092.22 leaves a net credit balance \$1,348.91 to be added to the profits of the year, \$571,455.42, making a total of \$572,804.33 to the credit of the Profit and Loss Account on August 31st, 1916, as shown and carried forward to the Balance Sheet.

ASSETS, INVESTMENTS, \$1,413,341.79—The Assets of the Company on August 31st, 1916, amounted to \$2,939,824.38, an increase of \$1,370,482.11 for the year; the chief items in this increase being \$175,000 in the Grain Growers' Export Company, \$123,639.83 in advances on bills of lading, etc., \$372,353.15 in stocks of grain, machinery, etc., and \$562,585.82 in funds in bank and on hand. Of the assets \$1,413,341.79 include our investments in Home Bank stock, Grain Growers' Export Company, Public Press Limited,

Grain Growers' B.C. Agency, Traders' Building Association, Winnipeg Grain and Produce Clearing Association and Grain Exchange Seats in Winnipeg, Calgary, Vancouver and Fort William, amounting to \$801,950.84; investments in real estate, city property, as follows: Lombard Street, Burnell Street, St. Boniface Lots, Horace Court, St. Boniface, and Market Street, Winnipeg, \$360,319, and in elevators and miscellaneous investments, \$241,929.56, including Terminal "H" old and new sites, and payments on new building under construction, country elevators, flour houses, plant, machinery and equipment in Terminal "B" and minor miscellaneous investments.

ADVANCES, ETC., \$489,406.95—The advances are to shippers of grain on bills of lading through the Elevator and Commission Departments and our Calgary office, and will be returned to the Company as sales are made and settlements effected. Other debts due to the Company comprise open accounts and bills receivable, after making provision for possible bad debts.

STOCKS OF GRAIN, MACHINERY, ETC., \$432,155.59—Comprises grain in stock in the Terminals "B" and "H," Line Elevator and Commission Department and at the Calgary office; flour and other supplies at the Line Elevators and machinery and other merchandise in stock at Winnipeg, Regina and at the Calgary office.

MISCELLANEOUS SUPPLIES AND ACCRUALS, \$23,350.90—Includes sundry supplies and accruals in various departments, thus, unexpired insurance, warehouse tools and supplies, accrued storage and elevation, elevator supplies, screenings, sacks, stationery and office supplies and commissions, dividends, rentals and interest accrued.

FUNDS IN BANK AND ON HAND, \$565,542.10—It is interesting to note this large asset in contrast with a liability (bank overdraft) usually at the close

of the year. A year ago our statement showed \$2,956.28 funds in bank and on hand. The year previous there was an overdraft of \$109,593.74, and that was itself the smallest overdraft at the close of the year since June 30th, 1909.

FURNITURE AND FIXTURES, ETC., \$16,027.05

—This indicates the value of the office furniture and fixtures in use in the several departments of the Company, after ample allowance for depreciation.

LIABILITIES, ACCOUNTS AND BILLS PAYABLE, \$910,999.48—This amount represents the total of the open accounts and bills due or maturing at the close of the year by the several departments, including cash tickets, outstanding orders, farmers' suspense accounts, etc., in the grain handling departments.

CAPITAL STOCK PAID UP, \$1,073,179.95—An increase of \$205,757.86 for the year. It may be noted that Paid up Capital Stock, Dividend Account, Reserve Account and Balance in Profit and Loss Account, a total of \$1,924,443.16, form liabilities only to shareholders of the Company. The liabilities to others than shareholders being accounts and bills payable, \$910,999.48, and the war tax to the Dominion Government, estimated at \$104,381.74, a total of \$1,015,381.22.

DIVIDEND ACCOUNT, \$100,500—This was the estimate at the close of the year of the amount required to pay the dividends of 10 per cent. on the Paid up Capital Stock for the year ending August 31st, 1916, as declared by the Board of Directors. Any possible variation from the amount estimated will be adjusted in the current year's accounts.

DOMINION GOVERNMENT, \$104,381.74—This represents approximately the amount of war tax payable for the year on the business of the Company, as required by recent Dominion legislation.

RESERVE ACCOUNT, \$600,000—A year ago the Reserve was \$340,000, now showing an increase of \$260,000. Of this amount \$217,159.38 is by approval of the Annual Meeting, transferred from the Profit and Loss Account as shown, and the balance of \$42,840.62 was added to Reserve through adjustments from Grain Growers' Export Company dividend and sundry other accounts.

PROFIT AND LOSS ACCOUNT, CREDIT, \$572,-804.33—This indicates the amount of the undivided profits at the close of the year's business, and by approval of the Annual Meeting has been disposed of as follows, viz.:

Transferred to Reserve Account	\$217,159.38
Dividend Declared, 1915-16 (estimated)	100,500.00
War Tax, 1915-16 (approximate)	104,381.74
Balance in Profit and Loss Account	150,763.21
Total as shown above	\$572,804.33

VARIOUS ENTERPRISES—During the past year the Company added a Livestock Department. While this department has not yet become self-sustaining, it has, however, met with hearty approval, and it is confidently expected that at an early date this department will become profitable alike to the shipper of livestock and to the Company. As is well known, the Company, during the previous year, added a Machinery Section to the Co-operative Supply Department. The Machinery Section was hampered by added tariffs, phenomenal increases in raw material and scarcity of labor, which all combined to make this department expensive to operate, with the result that the expenses have again exceeded the revenue. It has, however, become well established, and being favorably received by farmers, looks forward to a career of activity and usefulness, as well as of profit to all concerned.

All the other activities of the Company's business showed good results for the year's operations.

THE GRAIN GROWERS' GUIDE—The Grain Growers' Grain Company throughout its career has afforded practical aid and active co-operation in many directions. In none of those probably have its shareholders enjoyed greater satisfaction than in its financial aid of The Grain Growers' Guide. The Guide continues faithfully to maintain its position as leading exponent and consistent supporter of the platform of the organized farmers and deserves to be received as a welcome weekly visitor in the home of every farmer in the West.

A full decade has now passed since The Grain Growers' Grain Company Limited started upon its career. Doubts and fears were in the minds of many of its friends. Its most sanguine supporters could not foresee the excellent results that was to attend its activities within a decade. Activity, intelligence, loyalty and determination on the part of those entrusted with its welfare have brought large success. Much has been done, but much remains to be done. New fields of activity are opening up. To develop these to advantage requires power; that power can come only through loyal support of existing activities in our Company's several departments, and that support is in the gift of the farmers of the West.

RESPECTFULLY SUBMITTED,

W. H. BEWELL,

SHAREHOLDERS' AUDITOR.

ROSSER, DEC. 11TH, 1916.

Appendix

Re Representations to Department of Customs

The following is an extract from the brief that was presented to the Department of Customs, Ottawa, last summer in regard to the importation of Agricultural Implements from the United States to Canada:

LA CROSSE PLOW COMPANY

"We import from this company in the United States plows and tillage tools, which may be specified in part as follows:—

Plows of all kinds and descriptions.
Harrows of all kinds and descriptions.
Cultivators of all kinds and descriptions.
Seed Drills of all kinds and descriptions.

"Prior to June 24th, 1916, we entered such importations at Customs at values representing the actual price paid by us, without question by the Customs Department. On that date a ruling was given by the Department, effective July 1st, 1916, which disregarded the jobbers' price to us, and fixed the manufacturers' price to dealers in the United States as the value for duty, less a discount of 5 per cent. and less a further discount of 12½ per cent. on riding and walking plows, cultivators and harrows, but not on tractor plows or seeders.

"These values established by the Department are in some very important lines, very large increases over the prices paid by us, and when the dumping duty is also considered, it is quite impossible for us to do business on the basis of them.

"The following illustration shows how the Customs values compare with our purchase prices:—

"Recently we imported at Regina a carload of plows, the total selling price of which to us was \$1,692.38 plus \$9.24 value of repair parts, making a grand total of \$1,701.62. On this we were required to pay duty on a value of \$2,025 which duty amounted to \$556.88, and, in addition, a dumping duty of \$303.75, or a total duty of \$860.63, which works out at over 51 per cent. ad valorem on the purchase price, whereas the regular tariff rate is 27½ per cent. The Customs entry of this car at Regina was dated August 19th, 1916, and is numbered 4658.

"To illustrate further, look at the way the Customs values operates in regard to seed drills in general use:—

	Regular Tariff Rate, including War Tax	Ad Valorem Duty, including Dumping Duty on Customs Value
20 x 6 Single Disc	27 1/2 %	76 %
20 x 6 Double Disc	27 1/2 %	76 %
20 x 6 Shoe Drill	27 1/2 %	78 %

"We are informed and fully believe that the prices we pay to the La Crosse Plow Co. are exactly the same prices as are charged by that Company to similar jobbers, and indeed to all their jobbers in the United States, for home consumption there. In this connection we would state that we filed with the Customs Department lately an affidavit by the Vice-President and General Manager of that Company attesting that the prices to us are the same as to other jobbers situated in various parts of the United States, as for example:—

Meadows Mfg. Co., Pontiac, Ill.
T. G. Northwall Co., Omaha, Neb.
Lindsay Bros., Minneapolis, Minn.
Dauch Mfg. Co., Sandusky, Ohio.

"In discussing the matter with officials of the Customs Department we were informed that the reason for adopting as a standard of value for duty purposes the prices at which the manufacturers sell to dealers, not to jobbers, for home consumption in the United States, is that the sales made by the manufacturers to jobbers in that country are based upon a reciprocal jobbing arrangement, and that consequently such sales could not fairly be considered as representing an open fair market value for Customs purposes. On this point, our information from the La Crosse Plow Co., which we believe to be accurate, is that the Meadows Mfg. Co. is the only jobber they both buy from, and sell to, but that such reciprocal jobbing arrangement has no effect or bearing whatever on the purchase or selling prices of the La Crosse Plow Co. The prices of the La Crosse Plow Co. to the Meadows concern are exactly the same as to other jobbers with whom the La Crosse Plow Co. have no reciprocal jobbing or other arrangements which might be construed to qualify the price. On the other hand, the La Crosse Plow Co. buy from the Meadows Mfg. Co. on an open competitive basis as legitimate jobbers, and exactly the same as the Meadows Mfg. Co. buy from them.

"In these circumstances, we fail to understand why we should not be entitled to enter our importations from the La Crosse Plow Co. at the prices we pay for them. The Customs law provides that the value for duty of imported goods shall be the fair market value thereof as sold for home consumption in the country

of export, and the fair market value is defined to be the fair market value of such goods in the usual and ordinary commercial acceptance of the term and as sold in the ordinary course of trade. Now, in the ordinary course of the trade of the La Crosse Plow Co., they sell both to jobbers and to dealers, and it follows that there must be two home consumption market values within the meaning of the Canadian Customs Law—one to jobbers and the other to dealers. In every legitimate sense of the term we are jobbers. We buy in wholesale quantities direct from the manufacturers and perform in Canada all the functions of jobbers and distributors. As previously pointed out, we sell very largely to Grain Growers' Associations, who in turn sell direct to farmers associated with them. We advertise extensively, maintain large stocks of goods and repair parts in various distributing warehouses, notably at Calgary, Regina and Winnipeg, employ experts to demonstrate to farmers the use of implements and the assembling and care thereof. Moreover, the question as to whether or not we are jobbers within the meaning of the Customs law, and within the scope of the Customs practice, was decided in our favor by the Hon. the Minister of Customs himself in connection with the importation of sewing machines by us. We wired the Hon. the Minister on June 8th, 1916, as follows:—

"We have carload sewing machines from National Sewing Machine Company, Belvedere, Illinois. Appraiser here rules we are not jobbers and raises cost price thirty-three and third per cent. We claim are entitled to jobbers' price on account volume we import. Instruct your officer here to accept. Wire decision our expense."

and received from him, under date of June 9th, the following reply:—

"Telegram received. Collector of Customs, Winnipeg, instructed that Grain Growers' Grain Co. may be accorded jobbers' basis on carload sewing machines."

(Sgd.) J. D. Reid.

"If, as decided by the Minister, we are jobbers of sewing machines, a fortiori, we are jobbers of agricultural implements. Further, on this point we understand that large departmental stores and mail order houses, like the Eatons and Christie Grant Co. of Winnipeg, who sell direct to consumers, get the advantages of jobbers' prices for Customs purposes inasmuch as they are large buyers. As a matter of fact, the principal reason actuating a manufacturer in giving a jobber lower prices is that the jobber purchases in large quantities.

"The fact that the Customs Department, under its ruling makes us pay duty on the price of the manufacturer in the United States to dealers who handle only small quantities, in many instances probably not more than a carload a season, is to us quite incomprehensible. We are not dealers in the Customs sense of the term, and to make us pay duty on the basis of manufacturers prices to dealers is, we submit, inequitable and unfair, and not in accordance with the law or the facts upon which the application of the law should be based."

The following is an extract from our brief in regard to the importation of wagons and trucks:—

WAGONS AND TRUCKS

"We import wagons and trucks from the Abingdon Wagon Co., of Abingdon, Ill. On October 22nd, 1915, the Department of Customs gave a ruling to the effect that our prices should, for duty purposes, be increased as follows:—

On Each Wagon.....	\$5.00
On Commonwealth Trucks	5.50
On Superior Trucks	3 75
On Abingdon Trucks.....	4.50

"The prices of the exporters to us are, as we are informed and fully believe, the same as to jobbers in the United States. In this connection we handed the Customs Department recently an affidavit made by Chas. A. Babb, Asst. Secretary-Treasurer of the exporters, who certified that his Company does not sell direct, but in all cases sells to jobbers, and that the prices to us, as jobbers, are exactly the same as to jobbers for home consumption in the United States, no special allowance or preferential treatment in any respect being given to us. In these circumstances, we can see no reason for the Customs Department increasing our values for duty.

"To show you how the Department values work out, we would explain that we made entry of a carload of wagons on June 20th, 1916, at Winnipeg, vide Entry No. 11583, on a value of \$1,165, whereas our purchase price was \$1,057, and, in addition to paying duty on a basis of \$1,165 value, we had to pay dumping duty of \$101. The total duty paid was \$483.50, which represents 46 per cent. ad valorem on the purchase price, whereas the regular tariff rate, including war tax, is 32½ per cent."

We also experienced difficulties of a similar nature in connection with the importation of Grain Growers' Special Tractors and Humming Bird Threshing Machines, also in connection with the importation of fanning mills and gasoline engines, which space does not permit us to present in detail for your consideration.

The brief was closed with the three paragraphs following:—

"We wish to state emphatically, but respectfully, that if, speaking generally, the Customs values against which we have protested in this memorandum or letter are maintained we will have to discontinue our business of selling agricultural implements. As you can recognize, that would be a very serious blow to us, and would no doubt be considered by our stockholders and customers as a distinct grievance.

"As we have explained to the Department, our price list now before our customers was based on duty being paid by us on our purchase price, at the regular Customs rate, plus war tax, inasmuch as such purchase price had been accepted

regularly, and without question, by the Department prior to the issue of such price list. Obviously, we could not, without serious embarrassment, trouble and loss, both to ourselves and our customers, recall that price list, and if we are required to pay duty on the abnormally high additional values assessed by the Department, we will not only not make any profit on our sales, but will actually suffer loss.

"We respectfully submit this, our petition, to you in the hope that it will receive your most serious and earnest consideration."



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